

Message Text

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ORIGIN EUR-12

INFO OCT-01 ARA-06 ISO-00 AID-05 SP-02 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01 AGR-05

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NESA/NENA - MR. CARLSON

----- 115060

R 112350Z APR 75
FM SECSTATE WASHDC
TO ALL NATO CAPITALS
AMEMBASSY MOSCOW
AMEMBASSY DUBLIN
AMEMBASSY MADRID
AMEMBASSY BRASILIA
USMISSION EC BRUSSELS
AMEMBASSY STOCKHOLM
INFO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 083921

E.O. 11652: GDS

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TAGS: EAID, PFOR, PO, BGEN

SUBJECT: U.S. ECONOMIC RELATIONS WITH PORTUGAL

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REFS: A. MOSCOW 4445 (NOTAL)

B. LISBON 1955 (NOTAL)

C. LISBON 1859 (NOTAL)

1. SUMMARY:IN REF A THE PORTUGUESE AMBASSADOR IN MOSCOW ALLEGED U.S. IS REDUCING ECONOMIC TIES TO PORTUGAL. OFFICIAL BILATERAL AND MULTILATERAL TIES CURRENTLY GREATER THAN IN PAST FEW YEARS. SOME PRIVATE SECTOR ACTIVITIES HAVE SLACKENED DUE TO DEVELOPMENTS IN PORTUGAL. BUT OTHERS REMAIN, INCLUDING A PRIVATE BANK GROUP'S DOLS 150 MILLION LINE OF CREDIT GRANTED LAST YEAR WHICH GOP EXPECTS TO START USING LATER IN 1975. ADDRESSEES SHOULD USE THIS INFORMATION TO REBUT ANY ALLEGATIONS THAT U.S. OR WEST IN GENERAL ARE RESPONSIBLE IN ANYWAY FOR PORTUGAL'S ECONOMIC PROBLEMS. FOLLOWING PARAGRAPHS GIVE SOME DETAILS. END SUMMARY.

2. OFFICIAL USG ASSISTANCE: CONGRESS FIRST AUTHORIZED AID IN DECEMBER 1974 EMERGENCY ACTION, SUBSEQUENTLY APPROPRIATED DOLS 15 MILLION FOR BILATERAL ECONOMIC ASSISTANCE IN FY 1975. DOLS 1.75 MILLION IN TECHNICAL ASSISTANCE LOANS AND GRANTS ALREADY OBLIGATED, TALKS WELL ADVANCED ON DOLS 20 MILLION HOUSING INVESTMENT GUARANTEE, (WHICH IS IN ADDITION TO APPROPRIATED FUNDS) AND DOLS 7 MILLION LOW-COST HOUSING LOAN. OTHER TALKS TO BEGIN SOON ON REMAINING 6.25 MILLION AVAILABLE FOR THIS FISCAL YEAR.

3. THIS ASSISTANCE IN NO RPT NO WAY CONNECTED WITH AZORES BASES. LAST COMPARABLE ASSISTANCE UNRELATED TO AZORES WAS BEFORE 1961. FYI LAST ASSISTANCE TO PORTUGAL WAS DOLS 18.9 MILLION PL 480 COMMODITIES IN FY 1973 AND ANOTHER 10 MILLION OF PL 480 IN FY 1974 PLUS 6 MILLION FOR MILITARY TRAINING AND EXCHANGE PROGRAMS SPREAD OVER SEVERAL YEARS, ALL AS PART OF 1971 PACKAGE COVERING USE OF AZORES BASE 1969-74. AGREEMENT ALSO SAID EXIMBANK WOULD CONSIDER LOAN APPLICATIONS FOR UP TO DOLS 400 MILLION, BUT NO RPT NO APPLICATIONS RECEIVED UNDER THAT AGREEMENT.END FYI.

4. MULTILATERAL WITH USG PARTICIPATION. WITH U.S. ENCOURAGEMENT WORLD BANK TEAM VISITED PORTUGAL IN CONFIDENTIAL

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JANUARY-FEBRUARY 1975. U.S. BILATERAL TECHNICAL ASSISTANCE INTENDED TO HELP DEVELOP SPECIFIC LOAN REQUESTS TO IBRD. DEPARTMENT UNDERSTANDS BANK CURRENTLY CONSIDERING AGRICULTURAL SECTOR LOANS THAT COULD EVENTUALLY TOTAL DOLS 300 MILLION. U.S. ALSO HAS PRESSED OECD AND EC TO BE FORTHCOMING TOWARD PORTUGAL, AND HAS ENCOURAGED BILATERAL AID EFFORTS BY WEST EUROPEAN COUNTRIES. U.S. HAS NOT RPT NOT DONE OR SAID

ANYTHING SINCE MARCH 11 ABORTED COUP ATTEMPT TO SUGGEST
TO EUROPEANS OR TO PRIVATE SECTOR ANY CHANGE IN USG
POLICY ON ECONOMIC ASSISTANCE.

5. PRIVATE SECTOR.BUSINESSMEN UNDERSTANDABLY NERVOUS
ABOUT EVENTS IN PORTUGAL. PROBLEMS ARISE FROM (A)
SHARP DROP IN PORTUGAL'S RECEIPTS FROM TOURISM AND
EMIGRANT REMITTANCES, AND CONSEQUENT FEARS THAT
MEDIUM-TERM FOREIGN EXCHANGE CRISIS COULD PREVENT
ANY NEEDED PROFIT REMITTANCES OR REPATRIATION OF
CAPITAL; (B) UNCERTAINTY REGARDING RULES OF GAME FOR
PRIVATE SECTOR PARTICIPATION IN PORTUGAL'S FUTURE,
EXACERBATED BY RECENT NATIONALIZATION OF BANKS AND
INSURANCE INDUSTRY; (C) LIQUIDITY SHORTAGES IN PORTUGAL
AND NEW RESTRICTIONS ON SUPPLIER CREDITS; (D) MILITANT
LABOR ACTIVISM (INCLUDING SOME WORKER SEIZURES OF
BUSINESS PREMISES, AND HOLDING OF SOME MANAGERS HOSTAGE
TO ATTAIN LABOR DEMANDS); (E) DECLINING PRODUCTIVITY;

(F) GOVERNMENT PRESSURES TO ACCUMULATE UNSALEABLE
INVENTORY IN ORDER TO KEEP WORKERS EMPLOYED, AND SO ON.

6. NONETHELESS, AT AN APRIL 8 MEETING ON PORTUGAL IN
LONDON THE TWELVE BANK CONSORTIUM CONFIRMED THAT THE
DOLS 150 MILLION LINE OF CREDIT REMAINS AVAILABLE TO
PORTUGAL. MOREOVER, ALTHOUGH SOME JAPANESE BANKS AND
ONE GERMAN BANK HAVE BLOCKED OR RESCINDED CREDIT LINES
TO PORTUGUESE BANKS, WE BELIEVE NO U.S. BANKS HAVE
DONE SAME EVEN THOUGH THEY ARE WORRIED.

7. RESUME OF REMAINING U.S. PRIVATE SECTOR SITUATION
IN PORTUGAL SUMMARIZED IN REF B WHICH IS BEING REPEATED
TO ACTION ADDRESSEES.

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8. FOR DUBLIN: YOU MAY USE THE FOREGOING IN BRIEFING
IRELAND IN ITS CAPACITY AS PRESIDENT OF THE EC-9. KISSINGER

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